

# EXHIBIT 5

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## PRESENTATION

**Jason Rechel** - *Sprout Social, Inc. - Head of IR*

Hi, everyone. Welcome to Sprout Social's Inaugural Investor Day. Thank you for dedicating time from your calendars to spend the morning with us. We're excited that you're here, and we hope that you'll find the day impactful to your analysis of our company. We're nearly all coming to you from different locations today, including several folks in our Chicago office and our friend, Gerard, across the pond, as we work to actively define a culture of hybrid work.

For those that I haven't met, my name is Jason Rechel, and I'm fortunate to lead the IR function here at Sprout. If you know us, you know that we aren't a typical company. Our bones were built differently, and you should expect as much from our agenda today. We hope that you'll take away a greater appreciation of our foundation and culture, of the fundamental and sustainable differentiators of our technology, of the quality of our senior executive team, of our evolving product capabilities and of our ability to execute against a large in rapidly growing market opportunity for social media management software. We believe that we have a generational opportunity ahead of us. And we're grateful for your ongoing support and partnership along the way.

Before we kick things off, I do want to give justice to this first slide. The quality of our leadership extends to our legal team, which keeps us all and especially me on track. Today's meeting will contain forward-looking statements, which are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements include statements concerning financial and business trends, our expected future business and financial performance and financial condition and can be identified by words such as expect, anticipate, intend, plan, believe, seek, will, forecast, outlook, model, estimate, project, target or strategy.

Forward-looking statements address matters that are subject to risks and uncertainties that could cause our actual results to differ materially. For a discussion of the risks and other important factors that could affect our actual results, please refer to the disclaimer on the slide here or our full Investor Day presentation, which was furnished in an 8-K with the SEC this morning.

Please also note that unless explicitly stated otherwise, all financial information included in our comments today is as of June 30, 2021. We will also discuss non-GAAP financial measures, which are not prepared in accordance with generally accepted accounting principles. Definitions of these non-GAAP financial measures, along with reconciliations to the most directly comparable GAAP financial measures are included in this presentation, which has been furnished to the SEC.

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All right. Here you can see the fantastic agenda that we have prepared for you today. I'll see you all back for executive Q&A with Justyn, Aaron, Ryan, Jamie and Joe at the end of our formal presentations. All Q&A today will flow through me. So if you have questions that arise throughout the event that you would like answered in this session, please e-mail me directly at [jason.rechel@sproutsocial.com](mailto:jason.rechel@sproutsocial.com), and I'll be sure to surface those to the team.

With that, I'm excited to pass things directly into a kickoff video. Team Sprout, take it away.

(presentation)

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**Justyn Russell Howard** - *Sprout Social, Inc. - Co-Founder, Chairman & CEO*

Good morning, everyone. Welcome. Thank you for being here with us today. I've had a chance to spend time with a lot of you over the past few years. But today, I'm excited for you to meet and hear from some of our other amazing leaders across the company. Sprout is a company that thinks differently about how we build software, how we approach a rapidly evolving market, how we delight our customers at every turn and how we're building an enduring company at the front of a digital-first future.

Today, we'll give you a closer look at how that shapes our business and why we're so excited about the opportunity in front of us. Before Rachael and I dive in, I want to share a few things right off the top. First, thank you for your support. Our investors are part of our extended team and your confidence in this team and in our business provide the foundation we need to tackle this massive opportunity.

Continuing on the theme of gratitude, we also have some new company milestones to announce, which you may have seen in our press release this morning. We're excited to announce that Sprout has crossed both the 30,000 customer milestone and \$200 million in ARR as of today.

When 4 of us started this company in a storage closet in 2010, the market was brand new, but we saw massive potential. Today, the market is still brand new, and we see even more potential. I want to congratulate our team on these milestones and express our gratitude for the fact that they're already focused on the many milestones ahead.

You may have also seen that we published our first ESG disclosures this morning. The spirit of ESG aligns with many of the ideals we've always brought to our work, and we're excited to more formally capture and expand on this work in the coming years.

Now I'd like to introduce Rachael Pfenning, our SVP of Operations, who has some conversation starters for us to kick off the day.

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**Rachael Pfenning** - *Sprout Social, Inc. - SVP of Operations*

Hello, everybody. Thanks, Justyn. I'm Rachael Pfenning, our SVP of Operations. As Justyn stated, I've had the unique opportunity of being here for nearly our entire journey with Justyn and the founders. I joined the team 11 years ago as employee #7 in that same storage closet, no windows, it was no big deal, still kind of remember the smell of that room too. And also, Instagram didn't even exist yet to put that in more perspective.

So for me, it's been pretty incredible to sit behind the scenes and helped to build this company. There's so many milestones, milestones and milestones. So many intentional choices along the way and so much growth, so yes in ARR and customers, but also like as people and leaders.

So I'm excited to dive deeper today into our vision, our culture and our strategy, all of which play a role in an incredible foundation we have to capture this massive opportunity ahead of us.

Okay. So Justyn, let's kick things off by talking about conception of Sprouts, back it up. So what was the opportunity that you saw? And how did your past experience help to shape the company that we are today and how we build software? And on top of that follow-up already, how those founding ideals kind of evolved over the last 11 years?

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**Justyn Russell Howard** - *Sprout Social, Inc. - Co-Founder, Chairman & CEO*

Yes. Great. So I was working in enterprise software prior to Sprout. And sometime in 2009, I became obsessed with the idea that social media was going to completely change the way that businesses communicate with our customers. Social wasn't widely used by brands and businesses at that point. In fact, Facebook's brand pages didn't even exist yet. But I was convinced, my wheels just started spinning and haven't really stopped since.

I was staring at essentially in social, a new form of communication that was easy to use, efficient, it had global reach. It had structured data, importantly, and simplicity that created just endless utility of the things that it could be used for and the opportunity it presented for brands.

It was also going to be deceptively complex for businesses to use at scale. But it just felt like the future of communication. And so we dug in with the goal of building the business layer on top of social that would evolve into what Sprout is today.

And of course, we'd love to say that we predicted all the ways that social media would change business, but it's been far more disruptive than we initially understood. As a product person, this is a fun problem to have and a fun challenge, but we've been able to build our company and platform in a way that has thrived in continuous change.

The rapid pace of change in our space in this industry has also shaped a lot of our approach to building software and serving our customers. The founding team all had product backgrounds, and we knew we had to build flexibility into the bones of our product because the industry and problem space were entirely new, they were unformed and still forming today.

We also came from traditional enterprise software, and we recognize that a lot of the typical approaches wouldn't work, and we knew the things that we specifically didn't want to emulate. We wanted the product to be self-served and immediately deployable. This meant that we had to be relentless about usability and customer experience. If the product needed sales decks, training or implementation teams to be understood and used and we felt like we had missed the mark. We felt the consumerization of the enterprise coming and focused heavily on the users, not just the buyers. We also wanted our customers to prove the value for themselves before they ever signed a contract or pay us anything.

Initially, it's much harder to build software this way. But over time, it becomes significantly more scalable and efficient to build, maintain and sell. We had to say no to a lot of things along the way and be really stubborn about our approach. But these are still core tenets of our business and have become really powerful differentiators in the market. We also think that these ideas speak to the future of how software should and will be evaluated and bought in the future and moving forward.

**Rachael Pfenning** - *Sprout Social, Inc. - SVP of Operations*

Awesome. And we've been building against all these ideas for almost a decade now. So I kind of want to extend on that.

We've been building against them before becoming a public company, obviously, and then almost immediately dealing with the global pandemic. So how do you think we've managed that transition? And what's been the most surprising to you about the last 2 years?

**Justyn Russell Howard** - *Sprout Social, Inc. - Co-Founder, Chairman & CEO*

Yes, yes. The past 2 years have been full of curve balls and challenges for sure. It felt like we were barely back from ringing the bell in New York when COVID took over, and we had to become an entirely remote team essentially overnight.

Fortunately, we had a lot of the DNA we needed to navigate that situation and to make sure our team and our customers had what they needed during a really challenging time. We have an amazing team. We have a really strong culture. Our customer-facing motions have always been remote. And we have a tremendous amount of agility and flexibility just ingrained in our culture. So that certainly served us well.

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I don't want to downplay how hard it's been. The last few years have been a big job to do, a lot of challenges to face. But the team just showed up and delivered in a way that I'll always be incredibly proud of.

We continued to focus on our people and our customers. I think that's always been a big part of our success, but especially in the past 2 years. This team was really built to solve hard problems. That's one of our values. That's one of the reasons that our software and the way that we approach our customers resonates as well as it does. And I think that the shared experience, both internally and externally with our customers in the past few years will be really powerful for us in the future.

Something else that's changed significantly is the realization in the market of how mission-critical social has become. Many businesses felt they had plenty of time to get social figured out or that they could get by with half-baked strategies. But there's definitely a new sense of urgency now. A lot of these COVID era changes will be permanent. A lot of user behavior changes will be permanent, changes to the way we work will be permanent.

And companies that aren't activating plans for a digital-first future today risk being left behind. They can't afford to get it wrong. They need to prove the value of the solutions they are buying and they need to do it quickly. And I think all of these things align perfectly with our strategy as a company.

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**Rachael Pfenning** - *Sprout Social, Inc. - SVP of Operations*

Yes. I agree, a lot of agility and flexibility in our culture that you mentioned. And it was really incredible to see the team adapt so quickly to that remote work and evolve to meet our customer demands through such a challenging period.

So we just spent some time last week as an executive team kind of thinking big and talking to how no area's kind of undergone a more rapid transformation than the way we work, as you mentioned. That whole landscape has kind of fundamentally shifted now. And while this was forced on us and we adapted, there's a huge opportunity to create a more productive, more balanced and powering approach to work. So can you share some of your thinking around the future of work and how you see us fitting in?

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**Justyn Russell Howard** - *Sprout Social, Inc. - Co-Founder, Chairman & CEO*

Yes, yes. So I think from a macro perspective, the shift to remote and hybrid work will be one of the biggest opportunities for both employees and employers that we've ever seen. We've essentially all been doing the same things for decades as it relates to how we work. And there's an opportunity to reimagine what productivity, well-being and culture can be.

If we're willing to challenge old ways of thinking and not wait around for normal to return, there are some incredibly powerful ways we can improve on what came before. So COVID has been a catalyst to examine our norms and to better align with the workforce that has changed dramatically since these norms were established.

For us, that means an opportunity to work with amazing people, wherever they are in the world. It means making space for the nuance of different types of work, different types of people and giving them a platform that not only contribute to our company in more productive ways, but also to better align their lives with their priorities.

I think the company that capitalizes on this opportunity to do things differently has more to offer to its employees, and will have significant advantages in earning and retaining the best talent. It also allows us to think differently and to better serve customers whose lives and work environments are also changing. Our offices and physical environments will still be a big part of our hybrid workplace. There are huge benefits to shared physical space and human connection. But the modern office is also the worst example I've ever seen of average thinking. It tries to serve all types of work and serves none of them very well.

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But in a hybrid world, we have an opportunity to turn our work environments into a serious contributor to our productivity, not just the place where work happens. So this is a shift and a change and a catalyst that I'm incredibly excited about, both for us, but for the global workforce and business community broadly.

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**Rachael Pfenning** - *Sprout Social, Inc. - SVP of Operations*

I love it. Yes. Well, I love how you always think kind of 10 steps ahead and I'm not just saying that because you're my boss. And I won't sit here and tell everyone that you're a visionary because that's like an interview when someone says they're a good communicator and you should just do it and that's it. Anyhow, but building on that, you've always thought big and you're always ahead of the game and I love being able to be a part of that.

But I felt this along the whole journey, and I've heard it from others. We've always had this bigger vision on where the industry was going and how Sprout will be a leader in it. So when you look out now, what do you expect from this market and this team? And where do you think we're going?

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**Justyn Russell Howard** - *Sprout Social, Inc. - Co-Founder, Chairman & CEO*

Yes. Well, thank you for that. In terms of where the market is going, it feels a lot like it did in 2010 and 2011 and that we are still incredibly early. When we were on our roadshow almost 2 years ago, I shared in many of those meetings that I didn't think most people comprehended the size of the shift that was taking place. I still think that's true today. And I think it's more understated today than it was then. The ways that businesses have attracted, served and retained customers for decades is being completely disrupted by social, period. That's where we are.

The consumers have changed their behaviors. The market is shifting. Businesses need to figure out how to respond. As a couple of examples, consumers use messaging 5x more often than they use the phone. Virtually every company has a voice solution. Virtually none have a messaging strategy. The majority of consumers prefer social media messaging for customer service, very few companies have made the necessary investments. Buying decisions are being made before consumers can interact with a brand, word-of-mouth is exponentially more important. Commerce is moving to social. Misguided social media efforts can sink a brand. The point being, the stakes are high for businesses to get these changes right.

In a market study we did recently with Harris Poll, 90% of businesses agree that social media will become the primary communication channel to connect with customers in the next 3 years. Yet all of our existing tools and processes still revolve around traditional channels that are diminishing in importance. This is a big hill to climb. We have an immediate opportunity to help our customers navigate today's world, which is very different than it was a few years ago and an even bigger opportunity to help them solve what's coming next in what will be a decades-long shift to virtually every aspect of business.

Right now, we're thinking hard about the growing footprint and utility of social media across the organization and across emerging use cases. We're thinking about what specific capabilities those use cases would mean and what opportunities that creates for us to empower our customers. We're building the foundation for the shift to social commerce, and we're expanding our premium modules. We're also doubling down on the success that we've seen in the mid-market enterprise, while positioning ourselves for the entirety of a TAM that's growing rapidly.

We're going to tackle all this opportunity with the same focus and values that have got us here, but without being afraid to reimagine where we're going next and how exactly we'll get there. We'll continue to build the best software in the industry. We'll continue to take amazing care of our customers. And we'll build tremendous value for our people and for our shareholders. And of course, as always, we'll do it a little differently, but that's always been our edge. And the progress that we've made to date is something that we are incredibly proud of and look forward to expanding on.

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**Rachael Pfenning** - *Sprout Social, Inc. - SVP of Operations*

Different kind of company for sure. We like that. It's actually kind of our section. This is really a unique opportunity to get to sit here today with you and reflect on this journey and think about, as you said, social participation is so much more disruptive than we thought 11 years ago. And to think about just like where we are on that journey with so much more potential to unlock and so much ahead, it's just truly incredible.

So I'm excited to go deeper on our strategy today and what we're focused on with more of Sprout team. So to start, I'm going to hand us over to our Co-Founder and CTO, Aaron Rankin, who's going to share more insight into how we build software to scale and the beautiful behind-the-scenes magic on what that enables us to do. Thanks, everybody.

**Aaron Edward-Frederick Rankin** - *Sprout Social, Inc. - Co-Founder, CTO & Director*

Today, we're going to talk about what makes our technology special and why that matters to this business. I'll start by saying that I can completely appreciate that this is a very tough area to evaluate. And so it's no surprise that usually technology gets a footnote. It's natural to treat tech as, I think, a means to an end. As long as it works and it looks good enough, and then I guess we can say that we've been successful.

But we've always felt that technology doesn't just allow business success, it can multiply it. Done right, technology should follow and reinforce strategy. And unless technical approaches take that kind of long view, the business will never live up to its potential. You can paper over weaknesses in the short term. But eventually, technical shortcomings will come out in the business fundamentals.

And so today, I'll unpack how we've approached technology, just to give you a better understanding of why, for Sprout, it's a unique and lasting advantage.

Let's go back to the beginning, back to that storage closet that we worked out of. We started this business to address the change that social channels would bring to every brand and organization. With our potential market being like almost every business on earth, we knew we needed to approach everything across this company differently, from sales and marketing to product and engineering, it had to be done differently than the way that software companies have been built in the past. And this is some of the themes that Justyn touched on earlier.

But to dig in further, starting with our distribution model, to cost-effectively capture such a wide market and to address the consumerization of enterprise that Justyn mentioned, we knew the traditional outbound model wouldn't work on its own. So from the beginning, we set out to combine inbound, product-led and outbound into a combination high-velocity hybrid model.

This meant the buyer and, in particular, the user was really in control. We had to show them value very, very quickly and empower them to be successful. The dynamics of this fast-paced model in a nascent market meant that we had to be prepared for scale in all of the forms that would come, whether that meant many customers, massive data, the pace of social media or just the continuously evolving sophistication of customers, which we see to this day.

And so that vision for the business and the priorities that we set out at the beginning, it led to very particular choices. And on the technology side, it drove our single code-based strategy from day 1.

Our distribution model that I mentioned led to our product being a single multi-tenant instance. Every one of our customers works on the same version of our product built on a common social media backbone. This lets us shift features very quickly, letting our products grow at the speed of our team, not at the pace of customer deployments.

To drive satisfaction across a broad customer base, we've very much prioritized cohesion across our product. The way that we've approached product design has always been to integrate our user experience and features across the product and down to our data backbone. Doing so, this would allow customers to get up and running day 1 and to instantly share information across their teams without any kind of discrepancy or delay.



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And to prepare for the scale that I mentioned, we made architectural choices to foster rapid innovation across our teams. Sprout's products have been built to thrive in our nascent market by enabling emerging business use cases and keeping pace with our social network partners. Those early decisions that we made, they fed the single code-based strategy, which is how we approach everything that we do. By prioritizing customer satisfaction and empowerment and by building leverage into our technology and teams, we are equipped to best address the market need and build a lasting business.

This strategy sets Sprout apart. We built a company with a unique R&D approach that yields a highly differentiated product and a superior business. And it really starts bottoms up with being fundamentally built for self-serve.

To achieve a successful volume business from the start, we've taken the harder path of building powerful products that elegantly address the broad market as opposed to one-off customizations that can't be sold to other customers. And in doing so, we built substantial moats by focusing all of our efforts like a laser towards a single multi-tenant cohesively integrated product. And just as our distribution model inform the product strategy, it's because we are built this way that the distribution model works.

Self-serve is critical for our downmarket cost of acquisition and it's our secret weapon in the upper and mid-markets as we sell against demaware. And ultimately, it's our level of product cohesion that drives success.

And what does that mean? For us, cohesive integration means that we offer a whole host of products on the same backbone. So whether we're talking about customer care, marketing, performance measurement, research reputation and so on, in Sprout, all of these are built within the same code repositories, they share the same databases and they have very easy integration patterns. As our market evolves, we will continue adding categories to this mix, like with social commerce.

As social channels penetrate organizations, our innately integrated approach allows a myriad of customer teams and workflows to share a system of record. So let's consider some examples of this. In Sprout, a data analyst can build custom reports showcasing the intersection of their paid and owned performance benchmarked to market trends. Or a product manager doing research can directly engage with prospective customers. Or just as a third example, a customer care agent can initiate and manage a social commerce sale while they're chatting with a customer about their issue.

Now I wish that we could say these examples are possible at Sprout because we anticipated them 11 years ago. But despite them being unimaginable back then, they were natural to offer in Sprout because the underlying data are part of a common product. Features in Sprout are just different form factors of the same underlying data and capabilities. You can think of Sprout as just one living breathing system upon which many business problems can be addressed from the moment a customer starts a trial.

This level of cohesion is because of a deliberate strategy across product and engineering, choices we made at the start that stand out from our competition and are reinforced by our team culture. It would be a massive undertaking to catch up to the product value and experience of Sprout and we are not letting off the gas.

But more importantly, I'd argue our moat goes deeper than just a head start. Our moat is how we have and will approach the problems in front of us, the obsession with customer satisfaction and taking the long view of how we build which is baked into our company culture. The way we uniquely build and go-to-market has been honed over our history, and it spans the entire company from our inbound marketing to our free trial model, to the ways in which we design and build our products, to our team collaboration and culture, the way we support our customers. And fundamentally, the cost structure and business model that supports it all. It's not enough to copy 1 piece nor each individually. Our success is about the innate whole and not just the sum.

The beauty of our technical strategy is this virtuous cycle between technical advantages and business benefits. Our product team is equipped to build value at a higher velocity, which in turn drives strong business results, feeding back into even more R&D investment. And the loop begins there with R&D. Sprouts platform is easy to maintain and build upon.

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Our product team is focused on the core road map rather than the toil and complexity of thousands of software permutations resulting from customizations or rushed M&A. Our multi-tenant single code base concentrates our R&D. In a single day, we can go from an idea to development, testing and deployment to all 30,000 customers. Sprout is known to be first-to-market with important social network capabilities, weeks to months ahead of our competitors. And as we all know, this gives them a big edge, our customers that is. Putting powerful products in their hands sooner gives them that special edge in the fast pace of social media.

We're also first-to-market with innovations like social commerce. And every move we make compounds on the last.

Speaking of virtuous cycles, I mentioned that there's also an interesting element of scale effects here where more customers yield better products, which attract more customers. This is true for sure on the data side. But also because of the breadth and depth of our customer base, social networks are eager to partner with Sprout early and often, which benefits our customers uniquely.

Overall, in the short term, we can move very fast. And in the long term, the compounded value of our strong technical base plays out in the fundamentals of our business through the revenue growth and efficient cost structure that you can see.

Taking us back though, we knew to be successful and we need new approaches across the business. Just as it's been key to innovate in our distribution model, the form of our R&D org has driven outsized success over the years. We've designed our team to scale as a function of product aspiration, not customer growth. We want our product teams focused on innovation instead of operational toil, organizational complexity or revenue-dependent customizations. And our engineers need to be empowered to continuously improve our teams and our technology.

Having a single code base can chart a course for products that are very efficient to maintain and enhance, but only if we're very disciplined about it. And done right, all of these factors will reinforce a healthy engineering culture that fuels the team.

So just as a quick sneak peek, I'll share a little bit about how our product organization is organized. And the simple way to think about it is as 2 layers. On top, we've got more than 20 customer-facing product teams that we call squads. These have laser focus and quickly get to market with delightful, high-scale features because they are underpinned by an engineering organization that provides core technology.

This is a special model that drives the secret sauce of product cohesion that we have, and it sets us up for continued scale. As the company grows, our organizational design lets us move fast and optimize for customer and engineer satisfaction. As we expand our offerings, our organization scales elegantly by adding squads to build the new products that we want to bring to market.

Complexity is held in check as we grow R&D because squads are small, they're verticalized and they're largely autonomous. Each squad has the cross-functional resources, skills and empowerment to make decisions, shift successful products and to continuously improve. And their products are elevated by the shared backbone that drives our cohesion. We've been working this way for more than 6 years, and it's exciting to really watch this model scale.

So let's talk about that. Now you have some perspective on our technical strategy, I'll close this talk out by briefly touching on what the future holds.

Some of our greatest assets are our large customer base, our efficient go-to-market, our product and engineering prowess that I'm so proud of and the culture that underpins us. We have a massive opportunity to leverage the customer trust that we've earned and solve more of their problems. Whether we build, we buy or we repack, we can deepen customer value by thoughtfully expanding our products in market.

As we think about growing our product portfolio, the same design tenets apply whether we've got 1 core products or many. The concepts of single code base, shared data and cohesion naturally extend to multiple products.

To prepare for this future, we're actively adapting our platform to naturally dock a suite of complementary integrated SKUs. This platform has to scale to meet our early priorities, the ones that I talked about at the beginning of this presentation.

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So let me just go into what we're solving for here. The tech has to ensure that we can effectively go to market across varying buyers, users and segments. And that means things like enabling our inbound and trial models where appropriate, allowing for our growth teams to experiment with product-led motions and giving our revenue teams overall many degrees of freedom across channels, pricing and packaging.

Our distribution model will continue to depend on customers being empowered to get up and running quickly and having a great experience across products. And our tech has to ensure all of that.

Product cohesion that I've mentioned in this multiproduct world means building new products to complement existing ones. So we will seek integration across features and data in ways to provide unique value at the intersection of our products.

And of course, success comes not just from what you make, but how you make it. And here, we'll continue to invest in our organization to lessen the burden of future product builds, acquisitions, integrations and overall to enable rapid innovation. In short, we have a natural opportunity for substantial growth by evolving our single code-based model from a form factor of one into a structure of many.

And so with that, I want to thank you for letting me share how we build some of the thinking behind it and also where we're headed.

(presentation)

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**Maureen Calabrese** - *Sprout Social, Inc. - Chief People Officer*

So hi, everyone. I'm Maureen Calabrese, and I'm the Chief People Officer here at Sprout. And as you just saw in the video, our culture is at the heart of who we are here at Sprout. And what I'm going to do now is spend a few minutes talking about how that culture is an essential part of our business strategy.

Over the last 18 months, as Justyn talked about, so much of what we've held true for years about how people work has been completely turned on its head. And we know that the path forward is going to look very different for all companies, regardless of industry.

But for those of us in the SaaS space, almost everything about how and where we work, what people are looking for from their leaders and how we move forward together, both as a company and as a member of a collective society, it's all up for reexamination and reinvention.

But there is one thing that hasn't changed through all of that. And in fact, it's just been deeply reinforced. And it's this, culture remains the critical differentiator. There's so much that goes into building and growing a strong business.

But at the core of that is really 2 things. One is vision and the other is people. The vision to deliver unique and elegant solutions to solve real business problems. And then the people who bring that to life.

At Sprout, we know and we recognize that it is our people who have always been and will continue to be the foundation of our success as a company. And from the earliest days of Sprout, we've been so intentional about investing in our culture, in creating an inclusive environment that's centered around the idea that we all prosper when each of us prosper.

And now when the world is fundamentally different, that cultural investment is even more essential. People have options now exponentially more than ever before. Our company is built on the talent and the passion of our talented engineers and salespeople, product teams, marketers, customer support professionals and everyone that it takes to create and deliver a product to the marketplace that attracts and delights customers and then keeps them coming back for more.

And so to keep talented people invested in Sprout, we have to offer something special, something that delivers on multiple fronts. The chance to be part of a company leading in its space, one that commits and takes care of their employees across multiple dimensions, things like career growth, their overall well-being, their desire to be part of a company continuing to drive innovation and the need to belong and feel like they're having an impact. And that's where culture and specifically Sprout's culture comes in.

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I'm going to go a little bit deeper into the story of who we are and why the historical strength of our culture positions us so strongly for the future. And to set that foundation, let's just start with a few numbers.

Throughout the year, we conduct engagement surveys. And this allows us to continually measure and build upon the culture we've built. And in a survey we conducted just last month, in August 2021, we included questions that are part of Culture Amp's Validated Engagement Index. And what this is, is a measure of how motivated people are to put an extra effort for their organization as well as their commitment to remaining part of the organization.

We know that engaged employees show higher levels of resilience, really important for our times, and they perform at higher levels. And based on that survey, 96% of our employees said that they would recommend Sprout as A Great Place to Work. And while our internal culture measurements are critical to our ongoing efforts to offer the strongest culture in our space, where we're also proud of the external recognition that we've received. At Sprout, we take pride in our 4.7 rating on Glassdoor and a 96% CEO approval rating. These are really remarkable achievements when you consider that Glassdoor reports that the average company rating for 2021 was 3.5 and the average CEO approval rating was 73%. And as a result of the ratings and the reviews which are shared by our team members, we've been named A Best Place to Work by Glassdoor for 4 out of the last 5 years, including 2021, and were also certified as A Great Place to Work by Fortune. In 2021 alone, we've earned 9 workplace awards.

We're understandably proud of these awards, but they're only possible through our deliberate focus on culture. And at Sprout, culture is not a buzzword. It is a fundamental part of our business strategy. It's an intentional approach to our employees, our customers and our communities. You can see here that culture very clearly drives performance. And in our case, our culture serves as a strong competitive advantage. It allows us to build the kind of company that performs at a high level, holds ourselves accountable, adapt and is able to continue to grow in healthy ways.

Over the next few minutes, I'd like to go into more detail around 3 essential aspects of our culture and how we're building for the future. So specifically, our commitment to diversity, equity and inclusion, how we're thinking about recruitment in this new world and closely related to that, our approach for thriving in hybrid environment. Each of these is essential to our success going forward, and all 3 are very tightly linked.

At Sprout, DEI is foundational to our people first culture. Our commitment to these principles is rooted in our history and our core values. It's woven into our business practices. And it's illustrated by our colleagues around the world. Simply put, at Sprout, our vision is to build a community where there are no barriers to creating excellence together. We believe that building a team rooted in diversity, equity and inclusion has a direct impact on the performance and the success of our company.

So to make this a reality, we critically and continuously examine all of the people systems in place to ensure that they're equitable in design and practice and that we're building in measures of accountability to understand where it is that we're making progress and to identify the areas where we need to go even further.

And in the spirit of that accountability, in August, we published our second public Diversity, Equity and Inclusion Report, which can be found on Sprouts Insight Blog. And as Justyn mentioned earlier, we also released our first-ever ESG Disclosure Report today, further increasing the transparency of our efforts and shining a light on how we're thinking about the broader impact of our work.

So I'd like to spend a few minutes here highlighting some of these specific initiatives. When we talk about systems of equity, and these are things like recruitment, retention efforts, development, promotional advancement, building a sense of belonging, it's really our leaders that sit at the heart of that. And with that in mind, we're taking steps to bring to life our vision of equipping our leaders to make diversity, equity and inclusion a daily part of how they lead and how their teams operate.

We recently introduced our global leadership model, and this serves as the foundation for how we hire, develop and promote leaders. And a critical competency within that framework is modeling inclusive leadership. So to succeed in Sprout, leaders at all levels are expected to demonstrate equity and inclusion in their behaviors, in their decision-making, to recognize the value of difference. And from there, proactively seek diversity in team members' background and experiences.

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Leaders are so important to creating an environment where all team members across all identities and backgrounds believe and know that they belong and that they can thrive. So we're actively investing in our leaders' ability to drive inclusive leadership through an entirely revamped leadership program. That includes curriculum from our partner, Cook Ross, focused on exploring everyday bias, rethinking bias and talent management and leading through a lens of inclusive leadership.

Beyond our leaders, we also look to our script community as a whole to uphold our value of DEI. And at the heart of these efforts are our 10 community resource groups. These groups are centered around common identities. They play such an important role in cultivating a sense of inclusion and belonging through various programming focused on our colleagues, on our culture and our communities, as well as education and supporting business efforts.

So for example, our CRGs play a critical role in our recruitment efforts, including participating in what we call coffee chats. So any candidate who advances to the virtual in-person interview stage is offered the opportunity to meet with a member of the CRG of their choice. So what this does is it gives our candidates the opportunity to experience what inclusiveness looks like even before joining Sprout. And candidate response has been so positive to date, and we're really seeing the impact of these discussions in our candidate conversion rates.

As a central as it is to foster community within Sprout, we're also committed to our communities outside of Sprout and have developed several partnerships with organizations across the communities in which we live and work. And these include relationships and financial support for organizations focused on promoting economic equity and combating the effects of systemic racism such as Rework in Chicago, the United Negro College Fund and the Last Mile among many others.

And as we think about that commitment, it's a natural transition to another crucial priority where DEI also plays a key role, recruitment. Making sure we have the talented people we need to continue to fuel our growth is essential. And with that in mind, we continue to make investments in our recruitment team and our processes.

We're investing in programs and strategies to increase the funnel of our talent pipeline and to ensure a robust, a rigorous and an equitable recruitment process, including growing our recruitment over 50% -- our recruitment team over 50% in 2021, and we're continuing to hire over that team. These efforts include investing employment branding, continuing with proactive sourcing and outreach strategies rooted in leveraging competitive intelligence in key markets, forming strong organizational partnerships, such as our relationship with Rework and placing particular focus on leveraging our collective networks and tapping into our communities to reach diverse candidates.

Referrals are another key part of our strategy and is a testament to our culture and our employees' pride in Sprout. We typically receive over 1,000 referrals each year. We work closely with our CRGs to generate referrals from these groups to ensure that we're creating a diverse referral talent pipeline.

Now prior to 2020, our U.S. recruitment was largely focused on the Chicago and Seattle markets. But as we move to a hybrid environment, this dramatically changes the landscape in which we can recruit. And we believe this is going to be a key driver for us as we grow our teams, both in terms of meeting our overall hiring roles as well as widening our access to diverse talent. It also helps us retain talented individuals who are looking to better integrate their work life and their ideal work locations.

Over the past year, in fact, we've seen significant migration of our teams. And currently, 20% of our U.S. workforce sits outside 1 of our 2 office locations. And this is actually more than double the number that were working permanently remotely back in January 2020. And we anticipate that this percentage will continue to grow in the coming months as a result of both new hires and additional movement within our team.

Eliminating these geographic barriers is a 2-sided coin. It's great for retention and recruitment. But it also means that our teams are also being recruited nationally by other organizations. So taking us back to culture, it becomes even more important than ever to ensure that we're taking these intentional steps to reinforce and reshape our culture in light of this new working model.

So one of Sprout's values is celebrate change. And with that in mind, over the past 18 months, a cross-functional team of leaders have come together to focus on building strong infrastructure, including developing effective collaboration practices, identifying new technologies to support these

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new ways of working, designing and thinking about ways to ensure that our offices and in-person connection are still important touch points in our culture and focusing intently on building the skills that are going to be essential to this new way of work, whether that's at the leader, at the team or at the individual level. We're not impressing a way of working on our people, we're empowering them to work where and how they feel best positioned to thrive.

And so to end where I started, the future of work involves entirely new ways of working and a new social contract. It's clear that the workforce is looking for more from their employer and the employers who will succeed in our industry will do that because they build cultures that transcend physical locations. And having said, refocused on building environments where human potential can thrive.

Nobody has the exact road map or playbook for what this next operating model will look like. It's going to take time, creativity, experimentation, certainly, resilience. And as I look at the work our teams have done to date and the commitment to innovation going forward, I'm so excited about what the future holds for our teams, our customers and our communities.

And with that, I'd love to share a video that brings to life how Sprout's culture translates into a powerful experience for our customers and our partners.

(presentation)

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**Jamie Cannon Gilpin** - *Sprout Social, Inc. - CMO*

Hello, everyone. Thank you for being here. My name is Jamie Gilpin, and I am proud to serve as our Chief Marketing Officer here at Sprout. I'm really excited to be here to give a little bit more context and detail to what makes our go-to-market unique, differentiated and scalable and it really all starts with our inbound marketing engine.

So building an inbound engine is a long-tail strategy, it takes time. And building one that drives 95% organic traffic and 80% of new business revenue is best-in-class. And this has been a key part of our strategy since the very beginning, literally from day 1, which is why we've seen so much continued success with it.

Now we've built an inbound engine that is inherently robust, it's stable, and it's resistant to external pressure. And our continued investment in this strategy will ensure we're capturing and expanding our opportunity. So we think about it as a flywheel in motion that builds on our own success over time. And it begins with content. I always say that content is the linchpin of our strategy, and it is. But spoiler alert, it's actually our insights from social that are the foundation by which that strategy is successful.

So I'm going to walk you through how we've built an industry-leading inbound marketing engine that is grounded in social and why I'm extremely excited about our opportunity for growth and expansion moving ahead.

Okay. So at a super high level, this is how an inbound marketing engine works. Contents created to fuel the buyer's journey literally from the first time they know about us, awareness, pulling them through interest, consideration and ultimately getting them to decide to Sprout. And again, every part of that journey is supported by content.

And here's the thing. This probably should look familiar, this isn't new. Most B2B companies attempt to do this. But our secret is really in the maturation of our strategy, the insights we get from social to fuel the relevancy of our content and the expected expansion into new personas and new use cases. And this is ultimately how we continue to grow that funnel. Why not net, while improving our quality, scaling our efforts and ultimately capitalizing on our global opportunity, all of which delivers very efficient customer acquisition costs.

So 95% of our traffic is organic. And I want to call this out because, yes, this is best in class. But more importantly, the fact that we have maintained this over massive growth shows we've been able to scale through the strength of our SEO, search engine optimization, again the relevancy of our content and the growth of our brand awareness.



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So to give that a little bit more perspective. So our traffic has grown about 20% year-over-year. But direct traffic has grown over 50%, showing our ability to, yes, improve organic, but this also really highlights the strength of our brand and the fact that we're bringing more and more prospects that are actually coming directly to Sprout Social.

So traffic is really a direct outcome of our brand, the value of our content and most importantly, our product. And the way we think about our users, everyone that comes to our site, we think about them as professionals as partners. And our goal is to add value to their role and help them solve their challenges. And to do that, we understand our audience's needs, their priorities, their pain points, and we give them a truly valuable content experience that helps them do their jobs better. But then we also tie our product to how we can help.

So think of a newsroom, right, where you have your drumbeat of stories that are going out. And this type of content that we are launching, in most cases, daily, is relevant to our audiences' pain points, it's rooted in insights and SEO. And ultimately, it helps them do their job more effectively with Sprout.

But as the environment shifts, right, and new trends start to emerge, and interests are sparked all found on social, we respond to these in real time. Our team is extremely agile and collaborative across sales, product, success and our customers. Our social and content teams are in lockstep together. In fact, they're on the same team. So as our social team sees trends in our audience, they inform our content team, and we're able to seize on those opportunities literally overnight.

So for instance, we saw the rise of burnout of social media managers. And at the same time, we saw a surge of interest from business leaders trying to understand how to manage this digital transformation, which was definitely the biggest buzzword of 2020. So these insights, both sides actually fueled a new content series and lead generation campaign that set records for us in 2020.

And while it drove more leads and revenue, most importantly, I really wanted to share this example because it speaks to what Justyn and Aaron talked about. It illustrates how much we understand and care for our end users, our customers that are in the platform every single day, which has always been a differentiator and a competitive advantage for us.

So this relevancy and really understanding our customer in real time is what sets us apart and really key to our success. And this foundation ultimately primes our funnel for conversion.

So through this highly efficient content engine, we attract over 1 million people every month to our web properties and ultimately convert them into opportunities. Every point of engagement is measured to the content they convert on, to the revenue from a source or article. And we've leveraged this data and insights in our analytics from social to continue to optimize the experience and content for our users. But we also can highlight new use cases, attract new personas and ultimately expand our total addressable market.

So commerce is a great example of this expansion. Our leadership team saw this emerging trend and powerful use case, and our team was able to validate the trend with research and act. Our product was built in record time and our marketing team was able to support the launch across all of our teams from product marketing, to content, to demand gen, to customer education and sales enablement. And this fast action, along with our strong inbound engine put us in the first organic search rank for social commerce, which we still hold today.

So as we're pulling our prospects down the funnel into interest, the next step from traffic is the way we convert it into trials, leads and demos. This is another advantage for us because we really want prospects to engage with us in the way that they choose what's right for them. And we put the power in their hands so they can show interest by way of a hand raiser, right, via some of our content way top of funnel or a demo request, which is obviously lower funnel or just chatting with our team on our website or even calling in. But most importantly, they sign up for a trial.

And in all of this, our competitive advantage is in the absolute elegance of our platform. Within seconds, we can get their hands on the keyboard. And while many of our competitors, and not just in social media management but across SaaS, have to engage with customers through demos and other ways, we can actually empower them to try it. Every capability, full access to our platform for 30 days.

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And so you've heard us talk about the strength of our trial funnel. The strength isn't really -- it's all about how buyers want to engage in today's environment. They don't want to be sold. Not everyone has his time for a sales pitch. And most importantly, they want control.

So one of our strongest go-to-market advantages is really in our ability to give them a powerful platform, so intuitive that they can use it immediately and extract real value from the first day they log in. And we actually extract real value from the first day they log in as well.

So we have a proprietary trial quality model. It leverages machine learning and ultimately accurately predicts whether a trial immediately when they come in will convert to a customer, how likely it is. And to give that a bit more context, through our trial model, we get a ton of information at sign up. So think about things like their follower volume, their geo, their number of social profiles and other factors. And this model is dynamic.

So as we see behavior shifts, as we see changes in conversion to customers and new personas come into the funnel, the model adapts to this new information. And so we can double down on a channel, a content series or even paid to optimize this opportunity, which is really important for marketing efficiency.

But the bigger part of this is it also enables us to prioritize all of these trials for our sales team, so that they are spending more time on the strongest opportunities, which you're going to hear a little bit more about from Dan Summers in our next session.

And the sales and marketing partnership is absolutely mission-critical to all of this. And from my experience, we have absolutely one of the best ones here at Sprout because we are all one revenue work. And through our rituals, our meetings, our planning, we all work towards the same goals and have built real trust across our entire leadership team. And it probably also helps that I started in sales, Ryan Brad who'd started in marketing. So we definitely have a shared empathy for one another, but also really strong collaboration together towards our shared goals. So sales and marketing together feels a true revenue engine here at Sprout.

So about that quality and how we measure it. By improving trial quality by about 30% year-over-year, we and our true partnership with sales, as I mentioned, we have also improved conversion from our trials and demos and leads to customers by 30% relative to 2020. This is incredibly impressive, and frankly, a reflection of the state of our market, the quality of our product and growing brand awareness, but also the effectiveness of our marketing strategy and collective execution of our sales organization. We're getting smarter, and this is absolutely where you see it.

So all these efforts create a highly efficient inbound marketing engine, right? It increases our awareness, and it really reinforces our place in our industry as the go-to for all things social. It's again that growth flywheel where success just fuels greater success. And of course, you see this in our performance. But we also see this with our customers and how much our content resonates, and the rising fans we have across our customer base who not too surprising, go to social too to tell their community about us.

And when you have a foundation like ours that reaches all segments and drives 80% of new business, you can start to test new platforms, right, targeted approaches with paid. And it's a virtuous circle because the insights into performance of paid also fuel our organic and vice versa. So our enterprise acquisition, for the most part, actually starts with inbound.

So with a 30-day free trial, we have multiple users in a large enterprise testing us out. That then becomes an active opportunity to expand with our enterprise sales team, which we will hear more about from Daryl in our next session.

And while our inbound engine is extremely powerful for enterprise, we also have the opportunity to leverage account-based marketing as it's super helpful for targeting brands, but actually, more importantly, targeting new personas that we don't reach yet with our inbound model. This is also the power of our positioning and our brand to get the world to see social differently. Given that every department within a company needs to leverage social to not just connect with their customers, but really glean important insights that fuel future business growth, we can now target heads of customer care products, sales, HR, enabling our teams to go deeper and wider into accounts. And our product is absolutely key to all of this as it continues to evolve. And more importantly, as businesses continue to see the criticality of social across every single one of their departments and become more sophisticated with social. We expand our personas and in turn, expand our total addressable market.



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So a great example of this is from Alterra, who you saw on our customer video. And to give Katie's comments a little bit more detail, Alterra leveraged Sprout for customer care. So when they had to shut down their mountains, they needed help, right? So with the help of our support team, they were able to set up workflows and chatbots to manage a massive influx of inbound questions, literally thousands of messages from their customers and ultimately provide a great customer experience in a really difficult time.

They also leveraged listening for product innovation. Through listening, they uncovered that customers were ultimately hesitant to buy future passes because the fear of obviously losing their investment, especially if COVID kept persisting. So they released an insurance plan and started marketing it to ensure they could remove that concern. And we just -- we continue to see stories like this and the use cases of our buyers and personas evolving.

And so through our own usage of Sprout's premium analytics, we can see sophistication evolving through the content they engage with, and we can actually double down on those use cases. And this is ultimately how we continue to prime the funnel, increase revenue per customer both through our add-on awareness, but also new user seats across the business.

So with a strong foundation, our inbound engine only continues to grow, but there are some incredible opportunities for us to capitalize on. All in motion today, but with more investment, both from a sales and marketing side, we have massive upside.

So we are already capturing a large majority of the demand. And given the growing importance of social to businesses, that demand is rapidly escalating. And our market is increasing in sophistication. And today, we are reaching buyers with new use cases, commerce, listening, again, new personas like Vice Presidents of Product, Investor Relations, Customer Support, HR.

And for Sprout, we own this market. Social is our core. More importantly, social is the core of business, and we will be the destination for not just social practitioners, but all leaders to leverage the power of social. And so we're doubling down here, and we're investing in the largest, most robust community just for social set to launch to our customers in Q4 of this year and in the broader market in 2022.

And as we look at scaling this model, we continue to localize our content and our platform for each market. And while we've made some progress here, there is a ton of upside with global expansion, which we'll hear a little bit more about from Gerard in the next session.

And as I talked about, we think about marketing as a flywheel versus an end point. And that same inbound motion also works for our customer expansion and ultimately driving awareness of our add-on products, new use cases to our customer base. And so marketing also plays a key role in servicing these customer expansion opportunities to our gross sales teams.

So in summary, I want to reiterate our success, where we are investing in our growing opportunity. Our inbound engine and specifically, our robust trial funnel, is a critical competitive advantage for us. This is how buyers in every segment want to engage. And more importantly, they need a powerful platform that their entire team can leverage. Our content relevancy, our value to our audience is unmatched, and we'll continue to build on this success. And our focus on quality, again, has improved trials by -- quality of trials by 30%, and we only see this continuing to improve as we grow volume. And while current state is incredibly exciting, we have massive upside to continue to grow this model globally and expand our customer base.

So with that, I am excited to pass it to you -- pass this over to my colleagues in sales, who will walk through how we can convert all this incredible demand into customers and revenue. Kristin, over to you.

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**Kristin Johnson** - Sprout Social, Inc. - VP of Content & Communications

Great. Thank you so much, Jamie, and good morning, everyone. My name is Kristin Johnson, and I am the VP of Content and Communications here at Sprout. So as Jamie just mentioned, the partnership between sales and marketing is key here at Sprout. So it's really my pleasure to be here today to host a few of our sales leaders to discuss our go-to-market strategy and goals is a little bit more in depth with you. So joining me today are my colleagues, Daryl Mason, VP of Enterprise; Gerard Murnaghan, VP and GM of EMEA; and Dan Summers, our VP of Acquisition. Team, thank you for joining us.

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To kick us off, I want us to take a step back, let's reflect on what's ahead for your specific area of the business. We're going to go around this virtual room. Please introduce yourselves and share your #1 priority for 2022. Daryl, let's start with you.

**Daryl Mason** - *Sprout Social, Inc. - VP of Enterprise*

Thanks, Kristin. As Kristin mentioned, I have the honor and privilege of leading our enterprise group here at Sprout. And our #1 priority as we head into 2022 is to continue our disruptive playbook. And a big part of our disruptive playbook is getting our customers and our prospects into the product during the evaluation, so they can see how we can solve their critical business problems before they ever commit to us. We often get feedback from them. They get aha moments when they get into the product because they can't believe how robust the feature set is, but we haven't compromised on ease of use, or how user-friendly the interface is. And this is really important as you think about selling to really large distributed teams across the globe. And that's why we've enjoyed so much success in enterprise so far.

**Gerard Murnaghan** - *Sprout Social, Inc. - VP & GM of EMEA*

Hi, everyone. My name is Gerard Murnaghan, and I'm the GM and VP for International business. And so following on from the same question, what am I kind of excited for, for next year. For me, it's really a case of maintaining and sustaining our pace of growth that we witnessed across the EMEA region as well as start to positively influence the similar traction in APAC and LATAM. So delighted to see that we're starting to put in place our general management team in both those regions as well as getting our local teams in place. So yes, really excited to see what the other regions can do in 2022 and beyond.

**Dan Summers** - *Sprout Social, Inc. - VP of Sales (Acquisition & Growth)*

Hi, everyone. I'm Dan Summers, and I lead the Acquisition & Growth business. That includes our SMB, mid-market and agency sales teams. And for 2022, we're focused on 2 things that are extensions of our core pillars.

The first is to build an elite team. And that's a combination of investing in our exceptional team that we have today as well as attracting new talent that will help us scale.

The second is be a joy to do business with, and it's something we take great pride in here at Sprout. And that's to be an amazing place for both prospects and customers to come to do business. Ultimately, our aim is to combine our exceptional products with exceptional people.

**Kristin Johnson** - *Sprout Social, Inc. - VP of Content & Communications*

Awesome. Dan, you seem to be on a roll here. So we're just going to stay with you. We just heard Jamie talk about the power of our inbound marketing engine, something that's near and dear to my heart personally. How does your team really capitalize on the opportunity that she described? Specifically, how do you apply resources to do that today and then scale it for the future?

**Dan Summers** - *Sprout Social, Inc. - VP of Sales (Acquisition & Growth)*

Yes. So great question. We are very fortunate to have great partners in marketing that are driving both inbound interest and market awareness of the power of Sprout. We've designed our sales engine to operate at optimal efficiency and to ensure we're living up to our commitment to be a joy to do business with. This ensures we prioritize trials and leads based on the revenue potential and match each opportunity with the best sales team suited to meet their needs.

Now as a result, we've accelerated our conversion rates, revenue per subscription, ARR and have received recognition from the likes of G2 for customer satisfaction. And as Jamie shared just a few moments ago, we leverage our performance data to identify further opportunities to optimize lead-in trial scoring and routing to ensure we've created a buying experience that is beyond our prospects and customers' expectations.

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**Kristin Johnson** - *Sprout Social, Inc. - VP of Content & Communications*

So speaking of customers, we've added more than 5,000 over the past year. I've seen firsthand your role and the role that your team played in that. How can you -- or can you describe how you think about customer growth and the velocity of new customer additions going forward?

**Dan Summers** - *Sprout Social, Inc. - VP of Sales (Acquisition & Growth)*

Yes. I'm extremely grateful for our very talented team. I'm happy to share some insight here. The acceleration we have seen in our customer growth is a byproduct of increased inbound volume, market awareness and improved efficiency within our sales organization. We're making investments in both of these areas of our business, while the market is simultaneously realizing the potential of social and is in search of a solution like Sprout. As the combination of these efforts unfold, we'll see continued growth in our customer base with the high likelihood of acceleration beyond the results that we're delivering today.

And for reference, we've seen a 30% increase in conversion rates year-over-year, as you heard from Jamie, as well as a 19% increase in our ACVs year-over-year. And it's rare to see rising conversion and rising ACVs combined, but this just speaks to the growing awareness and improved efficiency and the simultaneous realization of the potential of social.

**Kristin Johnson** - *Sprout Social, Inc. - VP of Content & Communications*

Love that, the potential is huge. Gerard, I would love for you to kind of put an international lens on that one. What's your perspective on the state of our international business specifically in terms of both our inbound volume and market penetration?

**Gerard Murnaghan** - *Sprout Social, Inc. - VP & GM of EMEA*

Yes, sure. And so there are 2 really important parts for our strategy, right? The first is, as Jamie mentioned earlier, we're really fortunate to have such a strong inbound funnel across so many multiple international markets. So priority was the first, really make sure that we service the customers who have raised their hands for help and then be able to invest thoughtfully behind the business demand. So instead of making like big bed guesstimates that we hope will pay off later, we're fortunate to be able to take that blend of increasing demand with our investment strategy and then reap that benefit, right? So for example, we were really pleased to see EMEA as being our fastest-growing region company-wide during this past Q2.

Secondly, when we established our EMEA headquarters in Dublin and our satellite offices in London, the Philippines and Singapore, we knew we needed to attract top talent. And you heard Maureen earlier talk about our culture. Our people really is center to our business. And so we wanted to have people who had some prior SaaS or international experience, particularly in high-growth backgrounds. And we're committed to the opportunity to be part of something really unique and special. For me, it's really a case of selling this opportunity as a career-defining journey, right?

So we knew we needed people who could tell a story, tell it well and tell it often. We focused heavily on productivity and just like flood the market with our message, and it really helped create that flywheel motion, which meant that we were able to scale our new business teams, our expansion business, customer services and customer success. And the idea is that because we're now in local time zones, we can then service our customers in their office hours as well as in their native languages because, ultimately, for me, a lot of these international markets really are next-generational markets for future growth.

So in summary, it's really a case of I kind of see us starting to hit that sweet spot between brand awareness, social importance and then the convergence then for us to be able to effectively service those international customers in their time zone.

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**Kristin Johnson** - *Sprout Social, Inc. - VP of Content & Communications*

You're right. Gerard, you really have built an incredible foundation and team. Moving forward, what do you need to do to continue driving adoption and power businesses across the globe to really lean into social the way that we've seen it here in the U.S?

**Gerard Murnaghan** - *Sprout Social, Inc. - VP & GM of EMEA*

Yes. Great question. I mean, look, we talked about our healthy inbound, which is great for intent and interest. So we basically use that as a broad set of signals, and we can rely upon those signals, unlike other companies, to kind of make those strategic investments. And so we can do that with lot more certainty in terms of the market opportunity.

Now when we add that to the fact that Daryl and Dan have had so much success in North American business, we're kind of able to see around some of those corners that are coming our way internationally and be able to be better prepared than to kind of meet those needs, right? And so typically, the U.S. is always a market that adopts things first. Social was one of those things. And then typically, Europe would follow and then normally APAC follow suit. So you fast forward to the present day, Europe, LATAM, Middle East, Asian markets, they're all starting to consume social at a faster rate than the way it was consumed in North America.

What this all means is that as you start to look deeper into countries, demographics, it becomes further compounded. And so as brands and organizations are coming to Sprout, looking for our health and our advice to see how they can best manage this surge in new demand, right? So it's that piece that really works really hand-in-hand with our strategy.

From a business perspective, then it's a case of old-fashioned resource planning, accelerating our hiring goals, increasing our brand awareness through localization efforts and as well as just getting customers who have seen success with us to become customer reference case studies, so we can share them with other prospects about the arc of the possible for them to become customers. And so when you think about these things, along with just the idea that it's publicly known that Japan is Twitter's second-largest market behind North America. And in Asia alone, a lot of consumers there have skipped the desktop, which means they're actually working on a mobile-first basis. And so that kind of idea of capitalizing on that rich adoption means that we really have a huge amount of runway to sort of enjoy here.

**Kristin Johnson** - *Sprout Social, Inc. - VP of Content & Communications*

Yes. Thank you. On the topic of large markets, we're going to shift upmarket to Daryl. Daryl, over the past 24 months, we've seen some incredible progress within large enterprises. What would you say has been the key driver behind our upmarket momentum?

**Daryl Mason** - *Sprout Social, Inc. - VP of Enterprise*

Yes. Good question. And Aaron touched on this a little bit, but our product has evolved, our integrations have evolved. And our go-to-market motion, this concept of try before you buy has been truly disruptive. The one thing that hasn't changed is how we take care of our customers. As Dan mentioned above, our team is a huge differentiator for us and the way that we approach our customer engagements with a priority on being a joy to do business with. When we start coupling the advancements that we've made on the product side with the customer-first reputation that we've always had, it's a powerful combination for our customers.

**Kristin Johnson** - *Sprout Social, Inc. - VP of Content & Communications*

And you all are a joy to do business with. Thank you. Looking forward, when you think about sustaining and increasing our momentum, what keeps you excited, what gets you excited? What's like the biggest opportunity that we have ahead, Daryl?

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**Daryl Mason** - *Sprout Social, Inc. - VP of Enterprise*

Yes, there's a lot to get excited about. There's been a massive shift in consumer expectations and even large enterprises should have software that's elegant, easy to deploy, has great adoption across all users. And we check all of those boxes. Plus our team is different. We move faster with a focus on speed to ROI by getting their hands on the keyboard, in the evaluation and getting them confident in how we solve their problems from day 1.

We continue to raise the bar for larger, more complex projects right out of the gate. We've also seen tremendous success with our land-and-expand strategy. So our customers are our best sellers, and they are championing our success stories across these matrix organizations alongside our teams. And COVID has really heightened the level of stakeholder engagement in senior execs that we've seen in our deals. As the Harris Poll validated, social is now a top priority in the C-suite. I can virtually validate this as I've been having more and more conversations with CMOs and VPs from the largest brands in the world on how social is starting to take center stage in their strategy. And one of the metrics that gets me so excited is every year, we've doubled our largest customer spend, and we can constantly raise the bar.

**Kristin Johnson** - *Sprout Social, Inc. - VP of Content & Communications*

Great. I mean, you've all commented that I'm asking great questions. I'm actually going to stick with this one. Gerard, what is the biggest opportunity ahead for our international business?

**Gerard Murnaghan** - *Sprout Social, Inc. - VP & GM of EMEA*

Yes. So look, we're seeing exponential growth across our business internationally, but we've still got a long way to go before we've reached saturation. So it's a fantastic upside to see so many brands and organizations still need to realize and harness the full power of social. And so knowing that we have that runway is really exciting. We see it across new business. We see it across existing customers where there's so much more depth and reach that we can unlock.

And so when we think about probably the 2 interesting use cases, one is social customer care. We've got a huge opportunity here to go broader and add value to brands in terms of how they interact with customers, particularly when it comes to customer queries and escalation management. And the second use case that we've heard a few times today already is social commerce. This is a really exciting area for future growth, particularly internationally. On our recent customer survey index, over 70% of U.K. and Irish consumers now buy directly off social. However, only 17% of businesses even consider it. So a huge opportunity there to help customers unlock that huge demand that's coming their way.

Social commerce is estimated to be worth roughly \$37 billion in the U.S. and over \$270 billion in China alone, right? You come buying social commerce and live shopping, it's poised to be a market worth over \$2 trillion by 2024. So those 2 are really exciting to me, social customer care, social commerce. They are the 2 that I think will really unlock a whole lot of headroom for us to grow internationally.

**Kristin Johnson** - *Sprout Social, Inc. - VP of Content & Communications*

Awesome. So I'm just going to coast to the end here. Dan, can you round us out and let us know what the biggest opportunity you see is moving forward?

**Dan Summers** - *Sprout Social, Inc. - VP of Sales (Acquisition & Growth)*

Yes. We're democratizing social for every business around the world. And we've built our platform in a way that is approachable and accessible to every business. And our go-to-market is structured in a way that we can efficiently serve all parts of the market and deliver more value than is expected across all of the segments that we serve.

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And some of the ways that we accomplish this is by offering sales support for all prospects and customers. We also offer one-to-one cohort and self-serve onboarding, customer success resources and customer support available in the channel that our prospects and customers prefer, whether that's phone, e-mail or chat. I truly believe we're very early and are just getting started in what will be one of the largest transformations of how businesses leverage social and social data to achieve their business goals and improve customer experience.

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**Kristin Johnson** - *Sprout Social, Inc. - VP of Content & Communications*

So leveraging social data is one of my favorite topics. So I can't think of a better way to end the session. Thank you all for your perspectives.

Before I hand the mic over to Joe for our financial updates, we're going to take a really quick break. Don't go too far because Joe will be taking this virtual stage in just 5 minutes. So we will see you soon. Thank you.

(Break)

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**Joseph M. Del Preto** - *Sprout Social, Inc. - CFO & Treasurer*

Hi, everyone. Welcome back. I know I'm the only one keeping you from a closing keynote with President Barretto, which is what you all came here to see. So I'll do my best to keep my comments short.

Today, my game plan is to update you on the select current business trends, dive deeper into our market and opportunity as we currently see it, to update you on the trajectory of our large customer cohorts and provide a medium-term financial outlook. Our business fundamentals are extremely strong. So my focus is squarely on the durability of our growth opportunity.

As you've heard from the other speakers today, the people and technical foundation of this company are strong. Our brand and marketing momentum continue to build, and our sales teams are executing well. Now let's put some numbers to why we believe we can maintain our momentum for a long period of time.

But first, I want to take a step back. When we came public in December 2019, our organic ARR was just over \$100 million, and we had just over 23,000 customers. Our organic ARR was at the time growing at a high 30% pace. But most of you had never heard of social media management software. Our market was very nascent. We had just launched our premium add-on modules, and our move up market was building momentum.

Fast forward to now, and I'm incredibly excited to share that we have surpassed \$200 million in ARR and 30,000 customers. For our company and for any SaaS business, these are remarkable achievements. Our ARR growth rate exiting Q2 was 45%, and we are well on track to achieving our goals for the remainder of 2021. To think that we just roughly doubled our ARR in less than 2 years as a public company is a testament to the nascency of our market and a validation of the investments we are making in our future. We're also growing faster at double the scale, something that simply doesn't happen by chance.

Now the first area I want to kind of dig into is the market opportunity. And if there's one thing you take away from the meeting today is, is how early we are in this market. As of today, we estimate there are more than 225 million businesses on social media, and Sprout and all our competitors combined serve less than 1% of these. Our category is just getting started. I've said this before, but it's really just all about awareness and maturity of the market.

Now I want to take a little deeper dive into this market before moving on to some key metrics. This was our prior view of the world. We took the greater than 200 million businesses on Facebook family of networks and assumed a very small portion of those were ready for our social media solution. We then applied our current ACVs to get a \$25 billion SAM. And then if you apply the ACVs of our top decile customers, you've got a \$50 billion TAM. And we've been working to recalibrate this in a way that is both more detailed and give you all more visibility into how we are thinking about the future.

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Now let's move on to our updated view. We now calculate our current \$44 billion SAM as follows: utilizing third-party data to estimate the total number of businesses in the United States and globally in each of our served market segments with a social media presence, then utilize internal data and estimates to estimate the number of such businesses that require a social media management platform. We then calculate the average of our ACVs and our estimate of our direct competitors' ACVs in each segment and multiply the estimated average segment ACVs by the number of targeted business in each applicable segment. We believe that this calculation will be a more updated estimate of our served addressable market than our prior calculation.

However, we also have an eye on the future. And we introduce new -- a few new capabilities like social commerce that we believe will impact our future ACVs and therefore, aren't captured in our current year estimate. So we rolled forward these assumptions to 2025 when we calculated a \$100 billion SAM using the methodology I just discussed. This includes our estimation, which was informed by our research with the Harris Poll early this year of the projected business presence on the social media in 2025 and of our internal estimated segment average ACVs for Sprout and our competitors in each segment.

Now we expect each of our search segments will grow at, at least a 20% CAGR through 2025, and that our entire served market will grow in excess of 20% to serve the market that exceeds \$100 billion in 2025. Now many of you expressed interest in the ways in which social commerce might impact our market opportunity, and we kind of see it in 2 ways: as an accelerant to the overall awareness of our market and new customer acquisition; and as a durable level on our ACV growth.

Now I kind of want to shift gears a little bit and dig in a little bit more on the metric side and some of the Sprout fundamentals. As you can see since Q2 2020, we have consistently added 1,000 net new customers each quarter. More businesses are on social. There are more use cases for our platform with more stakeholders involved, new opportunities like social customer care and social commerce hadn't yet come into our purview of our customers, much less our investors. As Jamie and Dan discussed, this has resulted in a very healthy growth in our top of the funnel as well as our customer conversion rates. At the same time, our investments in onboarding and customer success and self-service product enhancements have made our product fundamentally stickier. The result is a very meaningful acceleration in customer momentum, and we would expect that our quarterly net customer adds will sustain above 1,000 for the foreseeable future.

Now along with the success of our customer adds, we are also seeing consistent growth in our ACVs. Q2 ACVs were up 19% and were up 35% from the IPO. This has been driven by execution across various areas. One of those has been our move upmarket into the mid-market enterprise. The new customer cohorts coming into our business today are much larger than the previous ones. We're no longer just landing in the social media team or social media management team at an organization. We might be adding PR and cons within the marketing organization. You heard us talk earlier about how we're getting into customer care, and commerce is starting to evolve. You're seeing us get into product and sales with the data. And so we're seeing more and more users with each new customer that comes in the door.

And then on top of that, the expansion with our existing customer base. We have this growth team that we formed about 18 months ago, and they're really just starting to get started on our ability across all 30,000 customers. And if you think about it, every quarter, we're adding 1,000 new customers, so the opportunity to expand with our existing customer base continues to grow. And so we see a huge opportunity there.

And then one of the other levers that's really driving our ACV growth is our premium add-on modules. And we're starting to see that across our customer base. I know a lot of you had some questions around, hey, how are those attach rates? What's going on with that? And so one of the things we want to kind of display today is the attach rates of our premium modules.

The percent of our total customer base that has licensed one or more of our premium products, either premium analytics or social listening, we'd love to see this number continue to rise, a clear sign of market acceptance and customer value. We also love to see the number at only 14%. A key indication of the long-term growth runway we still had of us here. This is not a number that we plan to give you each quarter. We'll update you annually from this point forward.

Now also, these premium modules are driving ACVs up across our customer base. One of the questions we frequently get from investors is the correlation between premium add-on modules and attach rates greater than \$10,000 customers and also whether the \$10,000 customers are a representation of our enterprise business. Well, there's certainly some overlap between customers having purchased our premium products and



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those paying us more than \$10,000 in ARR. This graphic here shows just how distributed our large customers actually are across segments. We believe that this demonstrates that our large customers become large because of the level of maturity and sophistication of their overall social strategy, not because how large the customer is. As Jamie talked about at length today, all businesses need to lean into the value of social. And there isn't a business on the planet that can't benefit from either a more sophisticated social strategy or business strategy that is sharpened by social data. This segment mix here reinforces the size of our opportunity as businesses of all sizes mature into our use of social.

Another question we get frequently is what's next after our success with \$10,000 customers? While we do have many customers in the 6-figure ACV range, and even in the high to mid-6-figure ACV range, we believe that the \$50,000 customer cohort is the best representation of the next wave of customer ACV expansion beyond \$10,000. The growth trends here are compelling with the greater than \$50,000 ARR customers growing over 80% year-over-year in Q2 2021. To us, the trajectory of the \$50,000 customers look similar to our \$10,000 customer cohort several years ago. And we can see in the data that we have customers above the \$50,000 threshold in all segments of our business in all sectors of the economy. We will disclose our \$50,000 customers and net additions to you on a quarterly basis in addition to our \$10,000 customers moving forward.

Now one of the products driving these large customers is our listing module. One of the applications of our social listing technology is the ability for our customers to see a word cloud of the most relevant conversations about their company or their brand on social media. Here's our growth word cloud, is here because our current and future growth is not about one thing in particular. It's not dependent upon one thing happening, success in one product area or success in one market segment. We have a multiple of secular growth drivers and fundamental changes occurring in our industry that we believe will propel us in the years ahead.

Now kind of moving on and pulling this all together. I want to kind of talk about a medium-term and then an update on our long-term financial model. We're pleased to outline a multiyear financial framework for you today to think about. I want to first emphasize that this framework is not guidance, it's just a framework. We expect that we will maintain a greater than 30% revenue growth rate annually through at least 2025. This growth will be balanced by segment, by use case, by new customer momentum and by expansion with our existing installed base. To achieve this, we are going to continue to make target investments in our future and will remain optimized for growth.

That said, we also expect that we will deliver 100 to 300 basis points of annual operating margin expansion over this period of time. And we expect that our free cash flow margins will be 200 to 300 basis points ahead of our operating margins over this period of time. We believe this combination of greater than 30% annual revenue growth and compelling multiyear margin leverage is unique and demonstrates the effectiveness and scalability of our product-led growth model. Opportunity continues to grow and grow faster than our prior expectations. Our unit economics are strong and getting stronger. Our efficiency continues to improve. We have a high degree of confidence in our ability to continue to grow this business rapidly at least through 2025.

And finally, a reminder and update to our long-term financial model. We're making great progress towards our long-term goals, and our 2025 framework takes us even closer. We're pleased with our progress to our long-term gross margin goals and could potentially see a revision there as we execute into the range during the years ahead. We also see a greater long-term leverage of scale on our sales and marketing and R&D teams and slightly greater long-term leverage on sales and marketing relative to our IPO model. This is based upon improved unit economics and validated scale efficiency elsewhere in our organization. We're pleased to raise long-term operating margin targets by 500 basis points. We're also pleased to see long-term free cash flow margins above 30%. Our market is enormous, our investments are working, and we're confident in our ability to deliver on our new multiyear model framework.

All right, that will do it for me. I'm going to turn it over to President Barretto to pull it all together and conclusions from the events today. Thank you.

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**Ryan Paul Barretto** - *Sprout Social, Inc. - President*

All right. Thanks, CF Joe. It's nice to be doing a bit of a role reversal here from our earnings call. So thanks for giving me a chance to back clean up. Hello, everyone. My name is Ryan Barretto, and my pronouns are he him and his, and I'm the President here at Sprout, and I'm really excited to spend some time with all of you today.



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Hopefully, by now, you've had a deeper understanding of the strength of our company, our unique culture and our leadership team. I'm here to summarize the main headlines from each of our presentations that you saw today. As you heard Justyn say, we're a different kind of company. We've been built differently since the beginning, and that includes our technology platform, our approach to people and culture, our product-led trial motion and our inbound revenue engine. We deeply value our people, our customers, our partners, our communities and you, our investors. We are committed to creating value for all of our stakeholders as we capitalize on the incredible growth opportunity ahead of us. So with that, let's dive in.

And I want to start off by building on Aaron's presentation. The foundation of our technology is grounded in being self-serve and product-led. Now I've spent my career in sales, and I can tell you that this is not normal. And it gives us a massive advantage in the market. Buyers today expect to be able to prove value for themselves before they make a commitment. Our single code base that has been organically built fuels the speed of innovation and allows us to more quickly scale because we haven't been anchored by legacy code and technical debt. It's allowed us to deliver over 100 material releases every year. And as Aaron mentioned, our scale compounds because each of our engineering squads can actively work to deliver innovation and new value for our customers.

And this matters now more than ever because the use cases for social are emerging on an ongoing basis. We're being asked by our customers today to solve more problems for them and not just for our current stakeholders, but for more users across their companies. This means that you'll see more product innovation from us, which will create even more value for our existing and new customers. And to go back full circle to the product-led sales motion, and my teams are definitely getting tired of hearing me say this, we want to get everyone's hands on the keyboard. This approach enables us to efficiently scale new innovation as we bring it to market. And this is really a growth flywheel that begins with our technology architecture.

All right. When we think about world-class technology and infrastructure, it really comes to life when you focus in on taking great care of your people and your customers. It's about building an exceptional culture and amazing customer experiences. And when you look at Glassdoor and G2, you can see market evidence that our employees and our customers value what we have built. When you look at -- the validation that we've received from our employees makes us an employer of choice. And our incredible employees are guided by the motto that we are a joy to do business with. And you can see this motto coming to life through the thousands of customer reviews on G2 that emphasize how Sprout is making them better at their jobs and making their businesses stronger. These 2 factors working in tandem are a powerful combination and should not be underestimated. It takes years of deliberate and focused work to create these moats and neither is easy to copy or to build.

When Joe shared the revised 2025 market opportunity that exceeds \$100 billion, it was validation of what we're hearing and seeing from our customers. Now if you think about it, you're hard-pressed to find a company in any segment or industry that doesn't have a need to harness the power of social. This is simply where all of our consumers are today. And the primary goal of any business is to meet your customers where they are. The rise of social as an essential communication channel and data source has fueled our inbound engine. 95% of our traffic is from organic sources. These are businesses that see the risk and reward tied to social. And these inbound customers are trying to determine if Sprout can be the solution to help them harness the power of it. And with 91% of executives planning to increase their social media budget over the next 3 years, we are well positioned to capture even greater inbound interest.

But we have to remember, while social media may be approachable and easy for all of us as consumers, it's really hard for businesses to manage. There are new social networks, new use cases like we've seen with the rise of social commerce. There's more inbound customer conversations and many different stakeholders. This level of complexity can't be managed effectively with the current tools that exist in their legacy tech stack. And that's why this market is so big, why it's growing and why Sprout is so well positioned to serve this market.

The proliferation of social and the rise of new use cases would typically be a very challenging engineering problem to solve. But as you heard from Aaron, the way that we've architected our platform has positioned us to quickly innovate and introduce new products. And because the foundation of the products are all the same, you get the same elegance and usability that our customers have come to expect and appreciate. Each time we add new products, we are also seeing second-order benefits to our original products as it makes them that much more valuable.

For example, the launch of listening, a product strong enough to compete on its own, also made our publishing tools more valuable as customers now had faster and richer access to the voice of customer data in the exact same platform that they are building content and sending out marketing

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campaigns. This approach to building products that customers need and love is truly a flywheel. It's enabled us to create and capture more data, to take on more business processes and to solve more problems for more stakeholders within our customer base.

Now when we think about the future evolution and we fast forward, the first key point to understand is that social is far from a solved problem. The market is evolving quickly and often in ways that none of us can predict. Building a platform and team with an agile and an innovative operating model positions us to evolve with the market and to continually add more value than is expected of us. This means that as we see signals from the massive data scale massive customer base that we have, we're fundamentally prepared to address them as they arise.

And at our core, the product-led growth strategy will continue to be an asset as we address the things that matter most to our customers: publishing, engagement, listening, analytics, collaboration and workflow. We'll also make further enhancements to our existing premium capabilities, and we'll introduce new ones, think social commerce or social customer care. And as we continue our evolution as a multiproduct platform, we will also be well positioned to tackle adjacent capabilities that are converging into social.

Now this last point is really important because social is horizontal in nature. You don't know if a tweet or a Facebook message is a customer care issue, a sales lead, a PR issue or product feedback. So your traditional CRM help desk or marketing tools don't work here. But your customers are on social media now more than ever, and every part of their customer journey is taking place within this medium. And they expect to be served in this medium. As we continue to build products to enable our customers to better serve their customers, we become their social system of record, their social CRM. This will continue to drive growth across new users, new departments and will make Sprout a more critical part of our customers' tech stack.

Our partners. Sitting at the foundation of all of our success is this partner ecosystem. And you've heard from some of them earlier today. Our network partners are amazing, and we pride ourselves on the symbiotic relationships that we've built together. These partnerships are complex and a complicated barrier to entry for new entrants in the space. It's incredibly hard to build our business model from both an engineering perspective and from a relationship perspective, which makes this a gigantic task to replicate at all, let alone to replicate quickly. Given our long-standing relationships and track record, we're fortunate to share road map planning strategy sessions and many joint go-to-market initiatives with our partners, which positions us to deliver quickly and fast to our customers.

A great example of this was Instagram DMs. And this was a feature that our customers were really craving. We were selected as one of the handful of partners who were asked to be in a beta. Most of the other companies in this beta took 10-plus weeks to build this product, and our product team delivered it in 4 weeks. We've also worked really hard to expand our technical integrations over the last 18 months. Last year, we built integrations with Microsoft, Salesforce, Zendesk, Slack and others. We improved upon these capabilities in 2021 with bidirectional workflows that make our customers' lives even easier with a click of a button.

And you'll notice a new logo today here, Adobe Marketo, which only further solidifies our position in the market as a social system of record. This valuable ecosystem of network and technology partners will continue to grow in number and value well into the future.

All right. We have built a very special and powerful go-to-market motion, which you heard a little bit about in the panel. And it's really being driven by the size of our total addressable market and the way that our product has been architected. We were built to serve all parts of the market in an incredibly efficient manner, with each one of our teams taking on a specialized market focus in delivering fast growth in a healthy business. These teams across each segment and vertical and location each stand on their own. And with the opportunity and execution we are seeing, each is well positioned to deliver success for years to come.

Now a big part of the secret sauce is that we lead with the product and specifically with trials. And we do this even if for sophisticated customers in the mid-market and enterprise because we fundamentally believe that this is the modern way for customers to evaluate and buy. Within minutes of signing up for a trial, our customers can send out marketing content, engage with their customers and analyze their data. They simply see value much faster with Sprout than anywhere else. And that has enabled us to win customers in 30 to 45 days on average. All of this contributes to compelling unit economics where we've achieved greater than a 6x LTV to CAC in each of the past 2 years.

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Now we'll continue to invest aggressively in the entire go-to-market motion across each of our business segments, but we expect to maintain very healthy unit economics as we do so. It's this efficiency which will drive the multiyear financial leverage that Joe just discussed.

All right. Let's take it home here with some of the advantages. All of these factors create significant competitive advantage and real moats for us. As Joe outlined, our expectations are to grow at greater than 30% annual pace through at least 2025. And even there, we're only scratching the surface of the ultimate opportunity, which means we need to continue to lay the foundation for the future to deliver very fast and very durable growth. This market is incredibly complex and incredibly hard to enter. Many of the big cloud companies tried via acquisition nearly a decade ago, and those acquisitions ultimately proved unfruitful with almost every one of them deprecating their offering.

Today, the technical barrier to entry is very high. We're talking about building and maintaining dozens of integrations to platforms that have very different use cases, very different data models and technologies and doing this with user profiles that are different across all of these networks. This isn't the e-mail-driven model that our CRM, our marketing automation and our help desk solutions were designed for. And on top of all this technical work are the business relationships, which the networks have been consolidating. We have a decade-long head start in technical expertise and a decade of proven security, trust, scale and innovation with our network partners. And this is the foundation of our moat.

Our product foundation and differentiated technology architecture sits on top of this. We move fast and deliver compelling capabilities to our customers. We're also the player with proven scale in the market now with more than 30,000 businesses leveraging Sprout. This data scale and experience creates a compelling feedback loop that informs industry best practices, thought leadership, our product road map as well as a powerful word-of-mouth marketing advantage, which you can see in our organic traffic.

We amplify these significant advantages with a unique dedication to customers and to culture. As we shared earlier, if you invest in culture and focusing on the customer first, you build amazing teams and amazing customer experiences. Each of these factors is a competitive advantage and each is a durable moat around our business. But taken together and compounded on one another, we've built a company with an incredibly resilient business model and market leadership position. We are well positioned to scale for many years to come.

I'll close here today, and we will open it up for Q&A from our audience. We hope that you've gained a new appreciation for our market, our people, our company and our opportunity. To steal Justyn's words, the majority of consumers are on social media today, but very few companies at this point have made the necessary investments to support them. Buying decisions are being made before consumers even interact with a brand. Word of mouth is more powerful than advertising. Commerce is moving to social and misguided social media efforts can sink a brand. The stakes are high for businesses to get these changes right, and Sprout has emerged as a social system of record, intelligence and action that will help businesses thrive in this digital-first world.

We are really proud of what we've achieved so far, but more excited about the things that we'll accomplish together over the next few years.

So thanks again today for taking the time to get to know us better. We really appreciate it. And with that, I'm going to hand it over to Jason to lead us through the Q&A. Jason, back to you.

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**Jason Rechel** - Sprout Social, Inc. - Head of IR

Thanks, Ryan, and thanks, everyone, for your amazing presentations throughout the day. Of all the challenges that I thought would accumulate throughout Investor Day, compiling the queue of questions here was not at the top of my list. So I will apologize off the bat if I don't get to your question or if I condense it into another series of questions because many of you do have the same questions.

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## QUESTIONS AND ANSWERS

**Jason Rechel** - *Sprout Social, Inc. - Head of IR*

Team, thank you for joining us for a few minutes here for Q&A. And I think the #1 topic that came out or came across in the questions that I received today was around social commerce. And so Justyn, maybe we'll start with you here. Could you just maybe take a step back and walk us through what our social commerce capabilities do? How we intend to monetize that capability over time? And what the evolution of our product offering might be there as it continues to grow and evolve?

**Justyn Russell Howard** - *Sprout Social, Inc. - Co-Founder, Chairman & CEO*

Sure. Yes. So our approach to social commerce is fairly consistent with other things that we've done in really new areas, right? I think everyone understands there's a lot of emphasis around social commerce, how exactly it takes shape and takes form. There's a lot of work still to be done there. And so we've been careful not to plant our feet too firmly. We've been focused on making sure that we get those core capabilities to market.

And Jason, to your question, we focused on making sure that our customers can be inserting those commerce and purchase opportunities directly into all of their social interactions, whether it's one-to-one communication or into their publishing efforts. We've made those initial integrations with some of the product catalog and shopping experiences that we've released to date. We focus on making sure that we're integrating customer information with the historic records within Sprouts so that people can see the full context and history around the conversations and people that are having those conversations with. And that very much is just an entry point for us.

Our focus, as I mentioned, is making sure that we get this into the hands of as many customers as we can and that we really start to learn where the value is, the things that we can do to really bring this home. I think many of our customers are very early in this journey. I think they're exploring with our network partners. They're exploring with us exactly how this is going to take shape. And so we've got a large amount of time and energy that we're spending, keeping tuned into that and making sure that we're building the right things.

Exactly how that becomes monetized, exactly what that product set or set of capabilities might look like, we're still being pretty flexible on. Typical for us, we will introduce something. We will build core capabilities. As that becomes more sophisticated as we build out those capabilities, we then have an opportunity to treat it as a separate monetizable product, a separate SKU or add-on within our platform. And I could see us taking the same path as it relates to social commerce here as well.

**Jason Rechel** - *Sprout Social, Inc. - Head of IR*

Great. And maybe a follow-on to that, which I'll direct to Ryan and Joe. The TAM for social commerce seems incredibly large, and Gerard talked a little bit about this. But how quickly are we expecting our capabilities to scale here? And as we think about maybe the friction in terms of customer adoption, where is that friction point today?

And then Joe, how do you think about social commerce as potentially influencing our ACVs over that forecast model that you gave out? And maybe we'll start with you here, Ryan?

**Ryan Paul Barretto** - *Sprout Social, Inc. - President*

Yes. The opportunity is obviously huge. Just to build on Justyn's point as well. I think one of the things that's really exciting that we haven't spent a lot of time on and just the fact, besides the actual action that happens through social commerce, we have to remember that there's a bunch of tailwinds that come from social commerce that play into everything else that we do within social today. The marketing efforts, the engagement with customers, the data, all of that just reinforces the value prop of Sprout. So obviously, the social commerce piece is an additional element of what we're doing. But those other elements are really exciting for us.

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I expect us to move really quickly. Our R&D organization, as you heard a lot today, has delivered innovation at such a rapid pace. And as I look at the road map and the things that they're working on, I feel really good about capabilities that we'll be bringing to market and how quickly we'll be bringing them to market, especially compared to the competitors in our space. In terms of friction, and Justyn touched on this. Part of our goal right now is to try and get this in the hands of as many customers as possible. So we're reducing the barrier to entry to get customers involved.

I think that the limiting factor today is going to be very much about how quickly the social networks introduce their products as well as how quickly customers can evolve their own e-commerce strategies to social. So beyond just providing the technology and the opportunity to do that, we do think, from a marketing and a customer success perspective, about the ability for our team to drive more awareness and education and help our customers not just use the technology, but to build the strategies to make that change over.

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**Joseph M. Del Preto** - *Sprout Social, Inc. - CFO & Treasurer*

Yes. Then on the TAM side, Jason, the way we've kind of thought about it is probably twofold. One is, as we look out into 2025 and the ACV growth that were expected to see in our existing customer base, I think that's really where we see social commerce playing a part in that is driving some of that ACV growth. And then it's also on our ability to bring in new use cases, right? How do we get to more of those customers that we already have in our TAM. So we're not adding new businesses into the TAM. It's more about the maturity and how quickly that maturity curve, how fast we go up that maturity curve. And those are probably the 2 biggest impacts on our TAM.

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**Jason Rechel** - *Sprout Social, Inc. - Head of IR*

Great. And let's maybe loop in Jamie here for these next round of questions. But Michael Turits from KeyBanc is acutely focused here on our enterprise business. And as we continue to scale up market, whether that influences or changes the way in which we go to market. Does it require different salespeople, different customer success motion? Does it require an evolution in our sales and marketing strategy? And so Jamie, maybe just start here from a top of funnel perspective, engagement perspective. And then, RB, you can bring us home on the sales side.

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**Jamie Cannon Gilpin** - *Sprout Social, Inc. - CMO*

Cool. Thanks, Jason, and thanks, Michael, for the question. So I think about this as an and, not a or strategy, right? Enterprise still comes through our inbound model. We've talked about that, both through trials, as I talked through earlier, but also through our events, our content leads and our demos. And on top of that, the and side of this is really how we're working with our enterprise sales leaders, my head of enterprise marketing, to identify target accounts and ultimately launch ABM campaigns to new buyers, but also just execs across the enterprise who may not know as much about Sprout as our end user.

And then just in terms of that ABM like targeted account side. We look at it in 2 ways. So industry is a big part of this. There are industries that are more forward, right, in social sophistication than others. And then also just by company size. And so those are the 2 ways that we've built this targeted count list. And yes, those are all in motion today. Ryan, do you want to share a little bit on the sales side?

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**Ryan Paul Barretto** - *Sprout Social, Inc. - President*

Yes. I mean I think part of the secret sauce, and you heard it from Daryl and Gerard today, and it was in the slides as well, is that we have the same background and the same foundation on how do we go to market. And that is a part of the secret sauce. We fundamentally believe that regardless of the size and sophistication of the organization, the modern way to buy is to evaluate the product before you make a commitment. And because our R&D team is built that way and they've built for scale, we can get our customers in the product really quickly. So that gives us a significant advantage. It also means that we have more inbound even in the mid-market and enterprise in most companies. And you can see that in the 6x LTV to CAC. That's just a more efficient model.

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So we feel really good about the foundation that we have. Obviously, adding on top of that, we'll continue to see innovation in the product. Things that we've done as it related to listening and analytics is a great example of how those products have really been appreciated by the market customers. We'll continue to build out some of these integrations to really further solidify our data within the rest of our customers' tech stack.

And then we're complementing our inbound with outbound. And we've had a lot of success there in large part because of our inbound. Because of our inbound, we have such great data scale, 30,000 customers. We know exactly who the customers are that are going to be the right fit. And it's been really empowering for our outbound business development reps and our AEs to know where to focus their time. So the foundation remains the same, and we're complementing our inbound effort to go after customers that we think are just going to be a great long-term fit for Sprout.

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**Jason Rechel** - *Sprout Social, Inc. - Head of IR*

Great. So next question here I've got from Arjun Bhatia at William Blair. And really, he's getting at whether we still encounter businesses that maybe are slower to scale their social strategies. And if that's still the case, what do we think gets businesses to change their mindset and their approach towards social? And maybe that's something that started to occur over the last 12 months as a result of the pandemic. Maybe there are other factors there.

But Jamie, maybe we start there from a top-of-funnel perspective. And then Ryan, you can weave in some customer feedback as well.

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**Jamie Cannon Gilpin** - *Sprout Social, Inc. - CMO*

Yes. So we're definitely seeing consumer and especially our buyer behavior shift from a top-of-funnel perspective. Yes, marketing, we are getting more efficient, but just demand is increasing. And so for me, it's less about seeing social skeptics because consumer behavior has changed, they are on social, both business buyers and consumers. But as we look at the businesses that are maybe slower to jump all-in on social, they know they need it, but they don't know how, or they're overwhelmed, right? Ryan just talked about this, just how complicated managing social can be for organizations without a platform like Sprout.

And so -- and probably more commonly that we see is that they're really thinking about solving one thing, or one use case with social. So they're thinking about publishing or distributing their content, which is sort of the original use case of social. But in terms of when they start to change their mind, it's when they see the power of listening, it's when they see our customer stories on how they can manage customer care. More importantly, not just how they manage it efficiently, but really actually adapt to the expectations of their customers.

And so this is a big role for marketing. This is all about getting our -- not just our customers, but the world to see social differently. And that's about sharing customer stories, our content and then how that's pulled through in our sales processes is exciting because we're already seeing that momentum shift and now we get to capitalize on the broader opportunity.

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**Ryan Paul Barretto** - *Sprout Social, Inc. - President*

Yes. And just to build on that point. On top of marketing, we absolutely see it from a sales and success perspective to continue to drive awareness and education on the opportunities within social. And so when we think about what we're seeing today, Arjun, absolutely, you will come across companies that are still trying to figure it out. But the pandemic certainly accelerated how people think about digital and being digital first.

Daryl mentioned this in the panel, but we're seeing more and more executives coming to the table, being involved in demos, wanting to understand what this social data is and how they can leverage it to make business decisions like innovate on their product, decide which markets to go into, how to compete. And so it is one of those things that we see as companies today are getting great value from our product, our seeding growth strategy is working really well. We can win them in 1 area and have plenty of opportunity to continue to help those grow, which you're seeing in our 10,000 and 50,000 customers as well.



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**Jason Rechel** - *Sprout Social, Inc. - Head of IR*

That's great color. And so maybe we'll shift gears and pull Aaron into the conversation a little bit here. Rob Oliver from Baird has several questions here for you, Aaron, and Justyn, I'll pull you into the conversation as well. But maybe to start, Aaron, of the 4 pillars that you -- that customers are using Sprout for today, one of the things you talked about is strategy. And Rob, I think is curious whether that's a separate use case today? Or why you called that out?

**Aaron Edward-Frederick Rankin** - *Sprout Social, Inc. - Co-Founder, CTO & Director*

Yes, that's a great question. I called it out because it's interesting in that -- and frankly, like a lot of the jobs that customers hire us for, it really spans the whole product. So with strategy, I think, it's natural to realize that like a lot of that is concentrated within our listening products. So especially kind of the research aspects of strategy like really getting a good sense on the market, getting a good pulse of that. But customers don't want to just come and do that research and then leave.

They need to take that research and actually do something real with it. And so where the research might happen in listening, the outputs of that then get planned and coordinated and executed through our marketing tools, our engagement tools. And then ultimately, the loop is closed by measuring it all within our analytics. So the short answer here is the strategy really spans the whole product.

**Jason Rechel** - *Sprout Social, Inc. - Head of IR*

Yes. And one of the competitive advantages that you clearly articulated, Aaron, is the single code-based model that enables us to iterate quickly and deliver an easy-to-use platform for our customers. So one of the questions here from Rob really is about how we gather and integrate customer feedback, and how do we decide which features to integrate when? How do we manage consideration of new use cases those types of things as you are thinking about the R&D strategy and as we are thinking about the platform strategy overall to pull Justyn in here?

**Aaron Edward-Frederick Rankin** - *Sprout Social, Inc. - Co-Founder, CTO & Director*

Yes. Yes. No, I can get us started and then hand it over to Justyn in case he has anything else he might want to add. Yes, just like on our -- in our sales motion, we've got a multistep funnel. I think the same is true in collecting and organizing all the various inputs into our product and feeding that into this kind of single code-based strategy. And so as it relates to customer feedback, as you can imagine, we received a lot of it through every channel. And you can imagine, I mean, we receive a ton inbound through social, through our support function and our success team speaking directly with customers. We will frequently solicit input from our customers through surveying mechanisms and things like that.

And so our job is to take all this and coalesce it into useful, actionable quantitative and qualitative inputs into our product process. But from there, that's not enough to form a road map. So our road map is highly kind of multivariate. So you got to factor in the customer input. You've got to look at where the market is going, what our partners are bringing kind of down their pipelines, what our perspective is on and our kind of point of view is on where we want our product to be in the near term. And so anyway, it's kind of smashed together with all those things into what we think is the most thoughtful prioritization for what we're going to build next. Justyn, I don't know if you have anything else you might want to add to that?

**Justyn Russell Howard** - *Sprout Social, Inc. - Co-Founder, Chairman & CEO*

Yes. No, that was a great summary. I think one of the most powerful things -- advantage that we have in this business is the breadth and scale of the feedback that we have, right? We're talking about tens of thousands of customers from very different market segments, from very different industries, feeding us feedback, feeding us product requests, telling us what challenges they're facing and the things -- the problems that they want to solve. And being able to take all of that as one input, as Aaron mentioned, being able to take all of the input from our sales teams and our customer success organizations and our solution engineers, to be able to pull all of that in, and it is thousands and thousands of pieces of data that help us kind of shape that road map.

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But then balancing that with our strategy, with the commitments and emphasis that we have around usability and the elegance of our platform, balancing that against the innovation and the new initiatives that we want to bring to market. And then spreading that back out, Aaron made a point earlier about the way that our R&D and our product organizations are organized. Empowering those teams to take that information -- to take those inputs and to develop their strategy in a very fluid way. We run a very fluid road map process here. We're able to constantly evaluate what the priorities are both strategically to the business and the things that are top of mind for our customers. And we also rely heavily on some of our more forward-thinking and sophisticated customers to help inform the things that the rest of our customers are going to be facing and help see around some of those corners.

So it's this really powerful feedback that we have. We've gotten really good at turning that and into the actionable road map. And hopefully, our customers feel that every day. We're constantly releasing. We're constantly iterating. There's more value in the platform today than there was yesterday for our customers, and that's been true for the past 11 years. So really powerful part of our differentiation and the way that we're able to serve our customers so well.

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**Jason Rechel** - *Sprout Social, Inc. - Head of IR*

Yes. That's great. And Aaron, I'll stick here with you. I think same question here from Rob Oliver and also Scott Berg at Needham. But as we think about our footprint within larger enterprises, does that mean that we have to maybe make sacrifices or increase customization of our product? You are seeing similar things from other companies referenced here? And maybe a separate part of that is, how M&A might factor into some of the things that we might want to do in the enterprise over time?

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**Aaron Edward-Frederick Rankin** - *Sprout Social, Inc. - Co-Founder, CTO & Director*

Yes. Thanks for that question. Happy to go into it. I think there's a lot of nuance here. So I don't have one -- kind of one direct answer. I'm going to -- let me touch on a couple of themes. So first of all, actually, going back to how Justyn kicked this all off in talking about the traditional sales model really not working very well in this modern world, I think a lot of customers would really prefer to not have to have customized software. I think they can really appreciate the downsides that come with it.

Yes, you start off with this bespoke solution, but it takes a lot longer and it's more costly to get to market. Their -- the reality is when it is in market, it's rigid. It's going to be -- it's going to take a long time to adapt and customize. And in the pace of social you want all the agility you can get. And so my feeling is that the majority of customers would always rather know that we can offer them a deep thoughtful native approach to solving their problem over a one-off bespoke solution. I think the bespoke solution is a backup plan. But -- so anyway, with that in mind, I think the question asked here is super valid. Customers are often going to come to us with problems that, perhaps, we haven't anticipated or that we think are farther out.

And so when this comes up, I think we always want to start by really kind of digging in and validating the need and the approach that customers are asking for. We actually find a surprising amount that customers, when they ask for things that we might not have, it's not because they have a critical need today, it's more that they want to understand their optionality for the future. They want to know where we're going, and they want to know that when they do have a hard need that we're either going to have a solution for them or we're going to have the versatility to support them. With 11 years of horsepower built into our products, there's often a way to address the need that they have natively within our product.

Even if it's not positioned very clearly in our product today, we often can find very elegant ways to solve the customer's problem, perhaps just with an approach that's different than they imagined. But going beyond that, there are definitely are cases where customers want to integrate our capabilities and our products with their systems. Historically, we've given some select access to our APIs to customers to meet that need. But increasingly, we are releasing our APIs as first-class products so that customers can better integrate our data and functionality into the more complex IT fabrics. I think any customer wants to avoid this, if they can. And so when they're doing it, it's truly critical to them. They'd rather not have developers building against SaaS software. That's one of the value props of what we give them is we give them the full solution, and the business users can use it without IT or development supporting them.



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And then the last thing I would just touch on here is, when there's a deep need that a customer brings to us, that we can address through any of those means, we often find that we already have planned to deliver the spirit of whatever this customization is as a native capability. It's out on the road map. And so, over time, we built up a case of prioritizing these functions on our native road map. So above all, we always want to try to find that native way to do it so that we can deliver value very effectively to that customer, but also scale it out to every other customer that's going to need it.

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**Jason Rechel** - *Sprout Social, Inc. - Head of IR*

Awesome. Thanks for that color, Aaron. I'll shift gears to international here next. And question is from Raimo at Barclays. But internationally speaking, how does that market play into our TAM calculation. And when we think about that 20% plus market growth rate through 2025, how does international factor into that? And maybe with the context here that Gerard talked about earlier that EMEA was actually our fastest-growing business in Q2. Jamie, I'll maybe start with you there on the marketing side and then Ryan can speak to some of the other international dynamics?

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**Jamie Cannon Gilpin** - *Sprout Social, Inc. - CMO*

Yes. That sounds great. So international is a huge opportunity. I mean, Gerard hit on it. I hit on it really lightly in my session as well. As we look at the sophistication, I think part of the growth is; one, having a concerted effort there, right? [Inbound] will continue to fuel all of our different segments and geos. But having sales teams, success teams in market, I have marketing folks in market and really localizing both from a translation perspective, but also from a campaign and messaging perspective, continues to help us capitalize on that market and really why the EMEA market in particular grew so fast. I think the other thing to consider with international is the sophistication of buyers internationally also has really escalated even faster than North America. And so those 2 elements -- demand is growing right, a concerted effort both for marketing and sales, both from an inbound perspective and then a localization perspective are the areas that we're most focused on.

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**Ryan Paul Barretto** - *Sprout Social, Inc. - President*

Yes. And just to add in on those points, and you heard Gerard say it, we're sending to get a lot of focus in those areas. In earnest, we've really been locally in the markets just over 2 years. First office in EMEA started in 2019. And so we're really excited about the productivity that we're seeing from those teams. We can see it in the results, as Gerard mentioned, EMEA being our fastest-growing business unit in Q2. We are seeing awareness in education increase, and a lot of that has to do with just the market, but then also the work that Jamie and the marketing team are doing.

And we just see plenty of opportunity as we focus in on those markets and increase our capacity and distribution over the next few years. So the TAM is massive. And I think that the best part about the model and the way that we're approaching it is we have the data to understand what the demand looks like so we can make really smart bets in how we're going to invest in those markets over the next number of years.

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**Jason Rechel** - *Sprout Social, Inc. - Head of IR*

Awesome. And Ryan, I'll stick with you. We have a few questions here on our 50,000 customer cohort, from Matt VanVliet at BTIG and Lane at Stifel or excuse me, Parker at Stifel. I wrote your last name first. And also from Clarke at Piper. I can tell that a few of you used to work together. But Ryan, of the 50,000 customer cohort, how do we see that as a mix of our enterprise customers today, maybe a mix of our international customers today?

And when you look at that cohort, are there common characteristics either from maybe a premium module attach rate or a use case perspective that run through those types of customers?

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**Ryan Paul Barretto** - *Sprout Social, Inc. - President*

Yes. I think there's a few things in there that make this really interesting. One, it actually looks fairly similar to the chart that Joe showed earlier today on the 10-K. And that's part of the reason why we're providing more information on this cohort of customers. We wanted to have something

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that was representative of our entire business. And so you've got a great cross-section of customers, not just in the mid-market and enterprise, but through our SMB and agency model as well. Those customers, today, vary by use cases.

So they could be using customer care. They could be using data and analytics, but not necessarily all of them. And that's what we see with a lot of those customers. So we think that even, and we've seen even in that 50,000 cohort, lots of upside, we certainly have customers much larger than that as well, which has given us really good line of sight into how the growth is going to materialize. And if we just think about the trajectory of the company, how we've grown over the last number of years, our customers, today, on average, looks like the biggest customers that we had 5 years ago.

So we continue to see this really nice trend and the [seeding] growth approach, which is really being fueled by the change in consumer demand by the products that we've been adding to the market and the bigger problems that we're solving for customers.

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**Jason Rechel** - *Sprout Social, Inc. - Head of IR*

Yes. And maybe sticking with questions from Clarke at Piper. Joe, I want to pull you in here and maybe just talk about the new or revised TAM calculation that we put out today. And perhaps the biggest change relative to our prior TAM calculation? And how that maybe also influences our 2025 forecast that we put out there?

And then a second question for you, Joe, is just you obviously raised the long-term operating margins of the business by 500 basis points relative to our IPO model. Curious what's driving that difference? And what gives you the confidence to do that today?

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**Joseph M. Del Preto** - *Sprout Social, Inc. - CFO & Treasurer*

Yes. So first on the TAM. I think the biggest difference between the old way we did it, the new way is that we broke it down by segment this time. So the way we did it before was more looking across all businesses regardless of segment and kind of just taking our average ACV across all segments. And so what we did this time is we actually did a -- dug a little layer deeper, which is, we look at the businesses in each segment. We look at the ACVs we're seeing each of those segments. And when you kind of took that approach, you kind of saw the opportunity that we're starting to see in the mid-market enterprise that just drove up a higher TAM definitely upmarket. I didn't see a huge difference on the SMB side, but definitely saw a bigger opportunity upmarket.

So that's probably the biggest change is just doing it by segment and rolling it up versus a broad-based approach. And then as far as it going out to 2025 and why we did that was the fact that our ACVs continue to grow. So if we look at our average ACVs today, and we've looked at how they've grown over the last 10 years, we know that those are going to continue to grow. We're early in this market. And so we also think if we look out 3, 4, 5 years that TAM is just going to get bigger just by the natural growth in ACVs and then also a small increase in the maturity of the market and the number of businesses that are going to come into that addressable market. So that was probably the change we made there. And then on operating margin question. The reason why we've seen, or kind of increase the long-term financial model is a couple of areas. One is on the R&D side.

We're definitely seeing more leverage in our ability to scale this product with not all the maintenance and support that you might get from having multiple instances or a bunch of acquisitions. The fact that we have is all on a single code base, one instance, Aaron talked about this, our ability to build new products, but not all the back office support is just generating more leverage than we thought this -- and I think is going to continue to kind of drive leverage going forward. And then the other area that we had some more leverage coming out going long term is on the sales and marketing side. I think the unit economics are ahead of where we saw them at the IPO. We're getting up into these larger mid-market enterprise deals. You saw the increase in conversion rates. And so we're just seeing more efficiency on that front.

Now we don't -- we want to be careful not to -- not invest in that area. So you're going to see us continue to invest on the sales and marketing side. But even as we put more money into this model long term, you're going to continue to see us -- see efficiencies on the sales and marketing side.

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**Jason Rechel** - *Sprout Social, Inc. - Head of IR*

Awesome. Thanks, Joe. So I think that I've gotten to most of our questions, if not all, hopefully, at least parts of most of your questions have been addressed here. Again, if not, I apologize. This format is kind of fast moving. So if I didn't directly address your question, please reach out and happy to have a conversation this afternoon here. I think with that, Justyn will toss it to you for any closing thoughts or observations here.

**Justyn Russell Howard** - *Sprout Social, Inc. - Co-Founder, Chairman & CEO*

Yes. Thank you, Jason. Thank you to all of our team that was involved today and made today happen. Thank you all for being here and spending this time with us, and the time that we've gotten to spend with you over the last couple of years. As I hope came through, we are just incredibly energized by the way that this opportunity has been shaped, how it continues to grow, our ability to execute against it, the team that we've built. Our strategy is in line with all of the tailwinds and trends that we're seeing. The opportunity has really never been bigger for us. This team is just on a tear, and I can't say enough good things about where we are. Appreciate everyone's time very much. We look forward to talking to you again soon. Hit up Jason or any of us if there's more that we can answer for you. And thank you again for all of your support.

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